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DOCUMENTS.

Speech of the Right Hon. Lord King, in the House of Lords, on Tuesday, July 2d, on the second reading of Earl Stanhope's Bill, respecting Guineas and Bank Notes.

(Concluded, from No. 47, page 489.)

HAVING now, my Lords, as I conceive, proved the justice of my conduct, by a

statement irresistible in a court of equity, I shall proceed to the other part of the subject, and I shall, in the first place, endeavour to show, that in the year 1797, the law respecting legal tender was by design left without alteration. The Legislature, contemplating the inconvenience to which individuals were exposed, by the Bank restriction, took away the power of

arrest: as long as the value of gold and paper money was equal, there was no temptation to insist on gold; but if gold was demanded, the debtor had it in his power to buy bullion, and take it to be coined at the Mint; the law, in the mean time, protecting him from arrest. The Legislature, when it sanctioned the Bank restriction, in 1797, most assuredly never contemplated the depreciation of the currency, as now existing, to so great an extent. The association agreement, to receive Bank-notes, entered into by the members of the Privy Council, and the great merchants and bankers in London, was perfectly voluntary; it was entered into on the presumption, that the currency was then, and would continue to remain at the full standard of value. At that time, it was little expected, that the Bank of England note of one pound, which had always been able to command a certain weight of standard bullion, would ever be so reduced in value, as to contain 16s. 7d. only, instead of 20s., its former intrinsic value; a defalcation of $\frac{3}{4}$ s. 5d. in the pound on all fixed income, a privation much greater than the income tax, the heaviest burden ever imposed at once on any country. That at least is paid for the public service: but is it to be endured, that a Bank-tax of near double the income-tax shall be taken from the income of individuals, not for the public service, but for the sole gain and benefit of that corporation? I am almost tempted to say, (if the Bank is so accustomed to the vast gains it has acquired, by the continuance of the restriction, that it will not consent to forego them,) that the Government would make a provident bargain, by paying 5 or 600 thousand pounds annually to the Bank, stipulating, in return, that the Bank should reduce the quantity of notes in circulation, until their intrinsic value was restored.

Some step must be taken, to put an end to all the manifest injuries, both public and private, arising from the depreciation of the currency. To consider it in one point of view, the public expenditure this year of ninety millions is equivalent to seventy-four millions only of currency of the former standard; but as the interest due to the public creditor is a fixed sum, the extraordinary expense incurred in this single year, in consequence of the state of the currency, has been little short of 10 millions sterling. It is now evident, that it will be found impossible to avoid aug-

menting the pay of the army, of the navy, of all the servants of the Government, unless you speedily interpose, and take effectual measures to restore the value of the currency.

In Portugal and Sicily, the loss incurred by Government, from the adverse exchange in the last year, is not less than 20 per cent. on all money remitted to those countries; and it is vain to attempt to conceal the fact, that the expenses of the Government at home, in the supplies for the navy, and for the ordnance, are all equally augmented. The only advantages, indeed, which the Government derive from the continuance of the Bank restriction, are some certain accommodations which it receives from the Bank, in discounting Exchequer-bills, and Government securities, and the shameful profit of defrauding the public creditor, by compelling him to receive payment in depreciated paper money. It has sometimes been argued, that the value of gold, by some unusual circumstances, has, of late years, greatly increased; and it is contended, that gold, which is the common standard and measure of value in all parts of the world, is not in this country the best suited for that purpose, or at all comparable in certainty and steadiness to the standard value of the Bank of England note. On examination, it will be found, that this alleged dearth of gold depends entirely on the commodity which you have to give in exchange for it. It is perfectly true, that if you have only Bank paper to give in exchange, the gold is extremely dear in the exact proportion, as the paper to be given in exchange is become cheap; but if you have corn or labour, which have been considered as the most perfect standard of value, it will be found, that gold is really much cheaper than at any former time, as less labour and less corn will now command the same weight of gold. The same result will be found to take place universally in every quarter of the globe. In France, the money prices of all commodities appear to have risen one-fifth since the Revolution. In every country, it will be found, that the prices of commodities, of food, and of labour, have risen, or, what is the same thing, that gold has in fact fallen in value. That the supply of gold imported into England is very large, may be seen from the evidence of the greatest bullion-merchants in London, who say, you may procure any quantity, provided you will pay the price.

It is further said, that all the gold in England is clandestinely exported to France, in payment for corn, which we must of necessity procure, and which they will not consent to give us, except in exchange for gold. It is perfectly true, not only that the exports, but the imports of gold, are in much larger quantities than at any antecedent period.

All the bullion, which, in the shape of tribute, and in the ordinary course of commerce, flowed constantly from Spain and Portugal into France, and through France to the other parts of the Continent, has now, from the total interruption of all intercourse, ceased to be carried in that direction.

A new and more easy channel has been discovered, by which the produce of the gold-mines of South America can be distributed over the continent of Europe; the more open communication and intercourse which has lately taken place between Great Britain and the Spanish and Portuguese settlements in South America, has opened a new road, through this country, for the passage of the precious metals from the New World, where they abound, to the old Continent, which does not produce them. That this is the new course of commerce is obvious, from the state of our commercial relation and easy access to South America; it must be so in the present state of the world. It follows of course, that the gold must be cheaper in this country, than in other countries to which it is afterwards exported; it is in the nature of things, that it must be dearer in France, by all the expense of transport, risk, and insurance, which is incurred by the export of bullion.

The proposal of introducing an alteration of the law of legal tender, which has been intimated with a view, I suppose, of feeling the way, before so dangerous an innovation of the general rules of law and justice shall be openly avowed, is the most pernicious and destructive ever ventured to be made by the wildest theorist in any civilized country. All the fatal consequences of such a measure, once carried into execution, no man can possibly foresee. But of this we may be well assured, that it threatens to subvert the whole system of the political economy of the country; that it will overturn all fixed and certain standard of value, and totally destroy the spirit and meaning of all contracts and engagements between man and man.

By such an act, you at once declare Bank-notes to be a *forced* paper currency, no longer resting on the basis of voluntary circulation; you will proclaim to the world, that your Bank-notes are *assignats* to all intents and purposes, differing in degree only, and not in kind. Mr. Burke, when contrasting the paper-money of England, with the assignats in France, describes them as powerful on the exchange, because impotent in Westminster Hall. How little did that great man imagine, when he was describing the horrible system of the French assignats, that he was also drawing the future picture of his own country.

A forced paper currency, once established by law, will leave no means of retreat; it will advance thenceforward with rapid strides towards that horrible system of finance, which ruined millions in France; if once you start on the same course, you must inevitably run the same race. Your enactments must be either ineffectual, or intolerably tyrannical. The symptoms of rapid depreciation have already unequivocally appeared, and a legislative enactment, vainly intended to support the value of your paper-money, will prove here, as infallibly it has proved in all other countries, where the same fatal measure has been adopted, the immediate forerunner of the last crisis of the paper-system.

Against such a monstrous proceeding, we have the authority of Mr. Pitt himself. We have also the authority of judges in Westminster Hall. In the Court of Common Pleas, upon a question, whether Bank-notes were made a legal tender by the Restriction act, Mr. Justice Heath held this language:

"Whatever inconveniences may arise, the courts of law cannot apply a remedy. I think indeed the Legislature acted wisely, having the recent example of France before their eyes, to avoid making bank notes a legal tender; for in France, we know, that legislative provisions of that kind, in favour of paper currency, only tended to depreciate the paper it was designed to protect, and were ultimately repealed, as injurious in their nature."*

We have indeed the experience and example of France, as a warning to avoid the same calamities: in support of the as-

* Bosanquet and Puller's Reports, vol. ii., p. 526. Case of *Grigby, v. Oaks*.

signats, there was legislative interference, and penalties and terror ever ready at command, exercised with unrelenting severity, and unceasing vigilance. But I ask, did ever that system of terror stop the depreciation, or uphold the finances of France? Has the forced paper currency of Austria (the most recent instance) preserved the finances of that empire? On the contrary, their destruction is also nearly completed.

It may be instructive to us to know, what has been done in other countries, to modify and correct the disturbance of all contracts, occasioned by the progressive depreciation of their respective currencies. In France, and in Austria, it has been found necessary to establish a rule for the equitable performance of contracts. When the frenzy of the Revolution had subsided, the French government, after the destruction of their assignats and mandats, and the consequent re-appearance of metallic money, ascertained the value of the Louis-d'or, as compared with assignats at different periods. When the Louis of 24 livres purchased 600 livres in assignats, it is clear, that an engagement made in assignats at that rate was 25 times the value in good money. When the Louis was worth 1200 livres, a contract made in assignats was 50 times the value of the metallic money. And in this simple manner, according to any given market-price of the Louis at a given time, contracts were reduced to their real value.

The remembrance of the assignats has however, in a great degree, put an end to leases in France; and if they are ever now made, the rent is stipulated to be paid in certain measures of corn. It may shortly be found necessary to have recourse to the same precaution in England. The practice has, no doubt, its inconveniences; no man can calculate the exact amount of his income for any particular year, because it will depend on the seasons and the casual supply of that year: but if, instead of the money in which the rent is paid actually containing or faithfully representing a fixed certain weight of gold of a certain standard, there shall be substituted a currency subject to depreciation, in that case the undefined loss will far outweigh any possible inconvenience, and the landlord in his own defence must again resort to the antiquated mode of former ages, and stipulate for a certain measure of the gross produce of the land.

It is said that some legislative interference is absolutely necessary to protect the

tenants against the demands of their landlords, and on that account the Bill is favourably received by those who profess to support the interests of the former. Little, indeed, do these men understand the interest of the tenant, who exhibit such total ignorance of the great and permanent interest of the agriculture of the country, to which the interests of the tenants and of those who follow agriculture as a profession is inseparably united. If once the impious breach is made in existing contracts, if once the Legislature interferes with a violent hand, and tears out of the contract those positive stipulations, in faith of the due performance of which one of the parties has resigned and delivered over his valuable property, in the firm reliance that he shall be permitted to receive what he considered as a valuable equivalent, but which condition is afterwards totally abrogated by an *ex post facto* law, there is an end of all faith both in public and private transactions. No man can henceforth place his dependance on the faith of contracts; the lands must be occupied by yearly tenants, for no landlord, after so dreadful a lesson of legislative injustice, will assign his property for a fixed term to the chance of an uncertain value. There has already appeared a visible and general unwillingness to agree to new leases for long terms; and any suspicion of the possibility of interference with existing contracts, will extend that unwillingness to make leases even for the shortest periods.

My Lords, the difficulties of our situation have proceeded from long continued legislative interference; from having deserted the old sound maxims and general rules: the further you proceed in this course, the more difficult is your retreat. I well remember the emphatic words in which our present situation was described in a former debate in this House: it was forcibly said, "that legislative interference was heaped on legislative interference, difficulty was added to difficulty, until at last the original object lies overwhelmed and buried under the incumbent mass and rubbish of superadded matter." It is in vain to imagine that any interference can uphold the value of Bank-notes, if they are deficient in intrinsic worth, if less gold is given for the paper than that paper promises to pay. The attempt is against the natural order of things; and is pregnant with every mischief. Whatever may be the consequences, I am convinced the discussion must do good; the subject has been

suffered to rest for several years, and by that neglect the depreciation has gradually and progressively advanced; and no possible effect arising from agitating this question, and bringing it to issue, can be so pernicious as the actual state of our degraded currency. In the year 1803 I opposed the Restriction Bill; I resisted it in Parliament, and endeavoured to expose the system, which I thought so injurious to all public and private interests. I foretold the consequences; and, having now unfortunately seen my opinion confirmed far beyond my expectation, of all men I am the last to be blamed if I have now had recourse to a remedy founded both in law and justice.

TABLE to show the Real Value of a One Pound Bank Note, at the Market-price of Gold.

Market-price of Gold per Oz.	Real Value of Note.
£. s.	s. d.
3 18	20
3 19	19 8 $\frac{7}{10}$
4 0	19 6
4 1	19 3 $\frac{1}{10}$
4 2	19 0 $\frac{3}{10}$
4 3	18 9 $\frac{5}{10}$
4 4	18 6 $\frac{8}{10}$
4 5	18 4 $\frac{2}{10}$
4 6 . 10 per Cent. .	18 1 $\frac{6}{10}$
4 7	17 11 $\frac{4}{10}$
4 8	17 8 $\frac{7}{10}$
4 9	17 6 $\frac{3}{10}$
4 10	17 4
4 11	17 1 $\frac{7}{10}$
4 12	16 11 $\frac{4}{10}$
4 13	16 9 $\frac{2}{10}$
4 14 . 20 per Cent. .	16 7 $\frac{2}{10}$
4 15	16 5 $\frac{1}{10}$
4 16	16 3
4 17	16 1
4 18 . 25 per Cent. .	15 11
4 19	15 9
5 0	15 7 $\frac{2}{10}$
5 1	15 5 $\frac{3}{10}$

Market-price of Gold per Oz.	Real Value of Note.
£ s	s. d.
5 2	15 3 $\frac{5}{10}$
5 3	15 1 $\frac{7}{10}$
5 4	15 0

POSTSCRIPT.

HAVING so plainly stated the principle on which I expected those, who had entered into contracts with me, to discharge their engagements; I hardly thought it necessary to add, that I consider myself as under the same obligation to those who have demands upon me under any old contract or engagement. I take this opportunity of stating, that I not only hold myself bound, and am ready, to satisfy all such demands, by payment of the same intrinsic value which the currency had at the date of each respective contract; but that I have already acted upon this principle in a payment of considerable amount.

The bill now before Parliament will place some impediments in the way of those who desire to carry into effect an equitable adjustment in the payment of old contracts; but methods may be devised for an equitable arrangement without much trouble or expense. For this purpose, ascertain the weight of standard gold which the currency was able to purchase at the date of the contract, and let the payment be made in the same weight of standard gold. Coined money was invented for the general convenience; but if it cannot easily be procured, payments may be made in uncoined bullion of the same standard.

For instance, if the price of gold at the date of the contract was £4 2s. per ounce, then, in the proportion of £4 2s. to £3 18s. the Mint-price, it will require the weight only of 95 guineas and $\frac{1}{2}$ as the equivalent for 100 guineas; and as that weight of standard gold may afterwards be sold at the market-price, the landlord who receives it at that rate (an act of favour and concession on his part) will be indemnified for the increased depreciation of paper since the date of the contract, and at the same time will have regulated the payment according to the intrinsic value of the currency at the date of the lease.